

## **H6 Resource allocation: who decides?**

### **2.1 Economic systems**

#### **The problem of resource allocation**

Because of the scarcity of productive resources relative to human wants, every economy must decide:

- What to produce?
- How to produce?
- Who to produce for?

That is, all economies must determine how best to allocate their scarce resources to different uses and whose wants to satisfy. But who or what decides how to allocate resources?

#### **Siemens to increase Serbian production capacity**

Siemens, the German engineering company, is planning to increase the production capacity of its wind generator factory in the northern Serbian city of Subotica by the end of 2012, as global demand for wind turbines increases.

According to the head of the energy department at Siemens Serbia, Dusan Muskatirovic, the company plans to boost its monthly production from 280 to over 400 by 2013, raising the number of employees in the same period from 500 to 750.

The company reported record profits of €7.8 billion last year.

#### **South Africa to spend R800 billion on infrastructure**

In his Budget Speech, the Minister of Finance revealed that the government and state-owned enterprises will spend more than 800 billion Rand over the next three years on new power stations, road networks, dams and water supply pipelines, rail and ports facilities, schools, hospitals and government buildings.